

Message Text

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LUXEMBOURG

1. THE GRAND DUCHY OF LUXEMBOURG HAS LONG WELCOMED
AMERICAN INVESTMENT AND US FIRMS ARE THE MAJOR COMPONENT
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OF THE NATION'S POST-WORLD WAR II INDUSTRIAL DIVERSIFICA-
TION. AS A RESULT, THE LUXEMBOURG GOVERNMENT, BUSINESS
COMMUNITY AND LABOR UNIONS ARE FAMILIAR WITH AMERICAN
METHODS.

2. LUXEMBOURG HAD OUTSTANDING SUCCESS THROUGHOUT THE
1960S IN ATTRACTING US MANUFACTURERS TO SERVE MARKETS IN

THE EUROPEAN COMMON MARKET. BUT THE BOOMING LOCAL STEEL INDUSTRY AND LABOR SHORTAGES COMBINED TO CREATE A SUTUATION OF NEAR-SATURATION FOR FOREIGN INVESTMENT IN THE EARLY 1970S AND THE LUXEMBOURG GOVERNMENT DROPPED ITS PROMOTION EFFORTS. THE WORLD-WIDE RECESSION IN 1975 WITH SPECIAL IMPACT ON STEEL, WHICH PRODUCES 25 PERCENT OF GROSS NATIONAL PRODUCT AND IS STILL LUXEMBOURG'S LARGEST INDUSTRY, REVIVED THE NEED FOR JOB-CREATING DIRECT INVESTMENT. IN 1977, LUXEMBOURG LAUNCHED A NEW CAMPAIGN FOR INDUSTRIAL EXPANSION, AGAIN FOCUSSED PARTICULARLY ON THE UNITED STATES. AS PART OF THAT CAMPAIGN, THE LUXEMBOURG GOVERNMENT HAS ESTABLISHED A SPECIAL COMMITTEE ON INVESTMENT HEADED BY PRIME MINISTER GASTON THORN AND AN ECONOMIC DEVELOPMENT BOARD IN THE UNITED STATES, SUPPORTED BY SENIOR EXECUTIVES OF AMERICAN COMPANIES WHICH SETTLED HERE IN THE 1950S AND 1960S.

3. AMERICAN INVESTMENT IN LUXEMBOURG IS ABOUT \$400 MILLION, OR OVER \$1000 PER LUXEMBOURG INHABITANT. THIS IS THOUGHT TO BE THE HIGHEST US PER CAPITA INVESTMENT OUTSIDE NORTH AMERICA. US INVESTMENT IS ALMOST ENTIRELY IN THE MANUFACTURING SECTOR, PRINCIPALLY IN CHEMICALS, TIRES AND METAL FABRICATION. AMERICAN MULTINATIONALS WITH FACILITIES IN LUXEBMBOURG INCLUDE GOODYEAR, DUPONT, MONSANTO, GENERAL MOTORS TEREX DIVISION AND UNIROYAL. UNCLASSIFIED

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AMERICAN FIRMS ARE AMONG THE COUNTRY'S LARGEST EMPLOYERS.

4. LUXEMBOURG HAS A N ECONOMIC EXPANSION LAW IN CONFORMITY WITH COMMON MARKET GUIDELINES UNDER WHICH FOREIGN DIRECT INVESTMENT IN INDUSTRY AND SERVICES IS ENCOURAGED. LUXEMBOURG IS AMONG THE MOST COMPETITIVE MEMBERS OF THE EUROPEAN COMMUNITY IN OFFERING INVESTMENT INCENTIVES. THE GOVERNMENT MAY ACQUIRE LAND, PREPARE ACCESS ROADS, AND OTHER INFRASTRUCTURE OR PUBLIC SERVICES, PROVIDE INTEREST REBATES, LOAN GUARANTEES, CASH GRANTS AND TAX REDUCTIONS. A NEWLY-FORMED NATIONAL CREDIT AND INVESTMENT COMPANY PROVIDES CREDITS FOR INVESTMENT AND FINANCING FOR EXPORTS AT FAVORABLE RATES.

5. ALONG WITH ITS COMMON MARKET PARTNERS, LUXEMBOURG HAS ACKNOWLEDGED THE NEED FOR STRUCTURAL REFORM IN THE STEEL INDUSTRY AND ITS MAJOR PRIVATE STEEL COMPANY HAS ACCLEERATED INVESMENTS TO IMPROVE COMPETITIVENESS. NONETHELESS, A LABOR SHORTAGE, WHICH RESULTED IN 30 PERCENT FOREIGN WORKERS HERE, HAS GIVEN WAY TO UNEMPLOYMENT AND SKILLED AND SEMI-SKILLED LABOR WILL BE AVAILABLE OVER THE NEXT SEVERAL YEARS AS THE STEEL

INDUSTRY ADJUSTS TO NEW EQUIPMENT AND MARKET CONDITIONS.

6. DESPITE THE CURRENT ECONOMIC DIFFICULTIES IN THE STEEL INDUSTRY, LUXEMBOURG CONTINES TO ENJOY A VERY HIGH STANDARD OF LIVING. THE SERVICES SECTOR OF THE ECONOMY HAS RECENTLY SURPASSED INDUSTRY IN TOTAL EMPLOYMENT, REFLECTING IN PART THE DEVELOPMENT OF A SIGNIFICANT INTERNATIONAL FINANCIAL CENTER INCLUDING 94 BANKS, OF WHICH 11 ARE AMERICAN.

7. EY ENERGETIC EFFORTS LUXEMBOURG HOPES TO ATTRACT SUFFICIENT NEW INVESTMENT TO RESTORE FULL EMPLOYMENT. THE NATION'S POLITICAL AND SOCIAL STABILITY AND
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EXEMPLARY TRIPARITE GOVERNMENT/BUSINESS/LABOR UNION COOPERATION ARE MAJOR ASSETS. LABOR UNIONS HAVE ALWAYS WELCOMED US INVESTMENT AND THERE HAS BEEN NO MAJOR STRIKE SINCE 1922. LOCAL FRENCH, GERMAN AND ENGLISH LANGUAGE SKILLS FACILITATE INTERNATIONAL BUSINESS FROM A LUXEMBOURG BASE.
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